WC 05-354

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December 21, 2005

Federal Communications Commission
Wireline Competition Bureau - CPD - 214 Appls.
P.O. Box 358145
Pittsburgh, PA 15251-5145

Re: *Application to Transfer of Control of Domestic and International Section 214 Authority from Valor Communications Group, Inc. to New Valor*

To Whom It May Concern:

Attached please find an original and 5 copies of an application for Commission consent to the transfer of control of the Section 214-authorized subsidiaries of Valor Communications Group, Inc. ("Valor," FRN 0010612513) from Valor to New Valor (FRN 0014400220) pursuant to Section 214 of the Communications Act, as amended, 47 U.S.C. § 214.

Pursuant to Section 63.04(b) of the rules, this application is submitted as a consolidated domestic and international Section 214 transfer of control application and has been filed concurrently with the International Bureau via the International Bureau Filing System. Enclosed is a completed FCC Form 159 and a check for $895.00, payable to the Federal Communications Commission. Streamlined processing is requested pursuant to Section 63.03 of the rules.

Please contact Kathryn A. Zachem at (202) 783-4141 if there are questions concerning this application.

Respectfully submitted,

WILKINSON BARKER KNAUER, LLP

By: ______________________
Robert G. Morse

Enclosures

READ INSTRUCTIONS CAREFULLY
BEFORE PROCEEDING

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FEDERAL COMMUNICATIONS COMMISSION
REMITTANCE ADVICE

Approved by OMB
3060-0589
Page 1 of 1

(1) LOCKBOX #
358145

[redacted]

SECTION A – PAYER INFORMATION

(2) PAYER NAME (if paying by credit card enter name exactly as it appears on the card)
Wilkinson Barker Knauer, LLP

(3) TOTAL AMOUNT PAID (U.S. Dollars and cents)
$895.00

(4) STREET ADDRESS LINE NO.1
2300 N Street, N.W.

(5) STREET ADDRESS LINE NO. 2
Suite 700

(6) CITY
Washington

(7) STATE
DC

(8) ZIP CODE
20037-1128

(9) DAYTIME TELEPHONE NUMBER (include area code)
(202) 783-4141

(10) COUNTRY CODE (if not in U.S.A.)

FCC REGISTRATION NUMBER (FRN) REQUIRED

(11) PAYER (FRN)
0003775731

[redacted]

IF MORE THAN ONE APPLICANT, USE CONTINUATION SHEETS (FORM 159-C)
COMPLETE SECTION BELOW FOR EACH SERVICE, IF MORE BOXES ARE NEEDED, USE CONTINUATION SHEET

(13) APPLICANT NAME
Valor Communications Group, Inc.

(14) STREET ADDRESS LINE NO.1
201 East John Carpenter Freeway

(15) STREET ADDRESS LINE NO. 2

(16) CITY
Irving

(17) STATE
TX

(18) ZIP CODE
75062

(19) DAYTIME TELEPHONE NUMBER (include area code)
(972) 373-1000

(20) COUNTRY CODE (if not in U.S.A.)

FCC REGISTRATION NUMBER (FRN) REQUIRED

(21) APPLICANT (FRN)
0010612513

[redacted]

COMPLETE SECTION C FOR EACH SERVICE, IF MORE BOXES ARE NEEDED, USE CONTINUATION SHEET

(23A) CALL SIGN/OTHER ID	(24A) PAYMENT TYPE CODE	(25A) QUANTITY
	CUT	1
(26A) FEE DUE FOR (PTC)	(27A) TOTAL FEE	[redacted]
$895.00	$895.00	
(28A) FCC CODE 1	(29A) FCC CODE 2	

(23B) CALL SIGN/OTHER ID	(24B) PAYMENT TYPE CODE	(25B) QUANTITY
(26B) FEE DUE FOR (PTC)	(27B) TOTAL FEE	[redacted]
(28B) FCC CODE 1	(29B) FCC CODE 2	

SECTION D – CERTIFICATION

CERTIFICATION STATEMENT
I, ____________________, certify under penalty of perjury that the foregoing and supporting information is true and correct to the best of my knowledge, information and belief.

SIGNATURE ____________________ DATE ____________________

SECTION E - CREDIT CARD PAYMENT INFORMATION

MASTERCARD ____ VISA ____ AMEX ____ DISCOVER ____

ACCOUNT NUMBER ____________________ EXPIRATION DATE ____________________

I hereby authorize the FCC to charge my credit card for the service(s)/authorization herein described.

SIGNATURE ____________________ DATE ____________________

Before the
Federal Communications Commission
Washington, DC 20554

In the Matter of VALOR COMMUNICATIONS GROUP, INC., Transferor and VALOR COMMUNICATIONS GROUP, INC. (NEW VALOR), Transferee Application for Transfer of Control of Domestic and International Authorization Under Section 214 of the Communications Act, as Amended	)	File No. ITC-T/C-______ WC Docket No. ______

To: International Bureau
Wireline Competition Bureau

APPLICATION FOR TRANSFER OF CONTROL

Pursuant to Section 214 of the Communications Act of 1934, as amended (the "Act), 47 U.S.C. § 214, and Sections 63.03, 63.04 and 63.24(e) of the rules, 47 C.F.R. §§ 63.03, 63.04 and 63.24(e), Valor Communications Group, Inc. ("Valor" or "Transferor," FRN 0010612513) and New Valor, ("New Valor" or "Transferee" FRN 0014400220) (together "Applicants") seek approval by the Federal Communications Commission ("FCC" or the "Commission") for the transfer of control of Valor and its subsidiaries from Valor as presently owned to New Valor as it will be owned following a merger between Valor and ALLTEL Holding Corp. ("AHC"), a wholly-owned subsidiary of ALLTEL Corporation ("ALLTEL," FRN 0002942159) pursuant to the transaction described below. New Valor will be the same corporate entity as Valor Communications Group, Inc., but likely with a new name as the surviving entity in the merger transaction.[1] The current stockholders of ALLTEL will control New Valor upon completion of the transaction, thus resulting in a substantial change in the ultimate control over the FCC licensee and Section 214-authorized carrier subsidiaries of Valor.

In addition to the transfer of control applications being filed for subsidiaries of Valor, *pro forma* transfer of control applications are being filed for subsidiaries of AHC. These applications seek Commission approval for the transfer of control of AHC and its subsidiaries from ALLTEL to New Valor. (Where appropriate, post-consummation notifications will be filed in lieu of applications.)

Information concerning the overall transaction and the principal parties to the transaction is provided below.

I. THE PARTIES

ALLTEL. ALLTEL, a Delaware corporation headquartered in Little Rock, Arkansas, is a diversified telecommunications company that is publicly traded on the New York Stock Exchange ("NYSE"). Through its subsidiaries, ALLTEL provides wireless, local wireline telephone, long-distance, Internet and broadband services to residential and business customers in 34 states. These services are provided in mid-sized cities and rural areas throughout much of the Southeast and portions of the Northeast, Southwest and upper Midwest. ALLTEL provides wireline services in 15 of these 34 states to approximately 2.9 million access lines.[2]

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[1] The new name, if any, has not yet been determined.

[2] These states are: Alabama; Arkansas; Florida; Georgia; Kentucky; Mississippi; Missouri; Nebraska; North Carolina; New York; Ohio; Oklahoma; Pennsylvania; South Carolina; and Texas. ALLTEL provides local exchange service through the following entities: ALLTEL Arkansas, Inc.; ALLTEL Alabama, Inc.; ALLTEL Florida, Inc.; ALLTEL Georgia, Inc.; Georgia ALLTEL Telcom, Inc.; ALLTEL Georgia Communications Corp.; Standard Telephone Company; Accucomm; Georgia Telephone Corporation; ALLTEL Kentucky, Inc.; Kentucky ALLTEL, Inc.; ALLTEL Mississippi, Inc.; ALLTEL Missouri, Inc.; ALLTEL
(continued on next page)

AHC is a wholly-owned subsidiary of ALLTEL which has been formed to facilitate the proposed transaction. The current ALLTEL subsidiaries that conduct the wireline businesses and other businesses including directory publishing operations, information services, product distribution operations and management services (other than such operations which support ALLTEL's wireless telecommunications business) will become subsidiaries of AHC. The ALLTEL subsidiaries offering wireless telecommunications services will not become subsidiaries of AHC.

Valor. Valor Communications Group, Inc. is a NYSE-traded Delaware corporation headquartered in Irving, Texas and is the holding company owner of subsidiaries that offer a number of telecommunications services, including local exchange service to approximately 530,000 access lines. Through wholly owned subsidiary holding companies, Valor holds an indirect 100 percent interest in Valor Telecommunications of Texas, L.P. ("Valor Texas"), an incumbent local exchange carrier ("ILEC") that as of June 30, 2005 provides local exchange service to approximately 506,000 access lines in four states: Arkansas, New Mexico, Oklahoma and Texas. Valor also holds an indirect 100 percent interest in Valor Telecommunications LD, LP ("Valor LD"), which provides interexchange and resold international services in those four states.[3] Valor is also the parent company of Kerrville Communications Corp. ("KCC") which, in

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Nebraska, Inc.; ALLTEL New York, Inc.; ALLTEL Carolina, Inc.; ALLTEL Ohio, Inc.; Western Reserve Telephone Company; ALLTEL Oklahoma, Inc.; Oklahoma ALLTEL, Inc.; ALLTEL Pennsylvania, Inc.; ALLTEL South Carolina, Inc.; Texas ALLTEL, Inc.; and Sugar Land Telephone Company.

[3] Valor LD changed its corporate form from a limited liability company to a limited partnership in mid-2003. Valor LD's name is registered correctly in IBFS, and the Commission's CORES system has been recently updated to reflect the change. While this event entailed a *pro forma* transaction and post-consummation notification obligation, *see* 47 C.F.R. §§ 63.24(d) note 2 and 63.24(f), the Commission was apprised of Valor LD's corporate form when Valor filed to obtain Commission consent (which was granted) for its 2004 initial public

(continued on next page)

turn, is primarily a rural ILEC in Kerrville, Texas providing a number of communications services through other subsidiaries, including local exchange service to approximately 24,000 access lines. KCC subsidiaries Advanced Tel-Com Systems, LP ("ATS") and Texas RSA15B2 Limited Partnership d/b/a Five Star Wireless ("Five Star") provide resold international services. KCC subsidiary KCC TelCom, Inc. d/b/a K2C is a competitive local exchange carrier ("CLEC") in Bourne and Fredericksburg, Texas.

New Valor. New Valor will be the same corporate entity as Valor, but likely with a new name as the surviving entity in the merger transaction. Subsidiaries of New Valor will include the current subsidiaries of Valor as well as subsidiaries of AHC. These subsidiaries will continue to operate (likely under new names) the businesses currently operated by subsidiaries of Valor and the wireline and related businesses currently operated by subsidiaries of ALLTEL. As described in Section II below, upon consummation of the transaction described herein 85 percent of the shares of New Valor will be held by the shareholders of ALLTEL. The remaining 15 percent of New Valor's shares will be held by Valor's current shareholders. Other than the ALLTEL shareholders, there will be no common ownership of ALLTEL and New Valor upon consummation of the merger.

II. THE TRANSACTION

The overall transaction will consist of a spin-off by ALLTEL to its stockholders of ALLTEL's wireline and certain other businesses as held by subsidiaries of AHC followed by a merger of AHC into Valor.[4] This transaction will be comprised of four distinct steps. Step 1

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offering. *See* Public Notice, *International Authorizations Granted,* DA 04-1413, File No. ITC-T/C-20040412-00157 (May 20, 2004).

[4] A diagram illustrating the transaction is attached as Exhibit B.

will involve the transfer of certain assets to the ALLTEL subsidiaries that are to become subsidiaries of AHC so as to effectuate the separation of ALLTEL's wireless businesses from its wireline businesses. It is not expected that any FCC licenses will be assigned to a different licensee as part of this preliminary restructuring.

Step 2 will involve the contribution/transfer of stock of certain ALLTEL subsidiaries from ALLTEL to AHC. As a result of this transfer, the assets of ALLTEL's wireline and certain other non-wireless businesses will be held by subsidiaries of AHC in the ALLTEL corporate structure.[5]

In Step 3, ALLTEL will distribute all the shares of AHC to the ALLTEL stockholders. However, these shares of stock will be issued to a Distribution Agent for purposes of completing the merger in Step 4.

In Step 4, AHC will merge into Valor. Valor will issue approximately 400 million new shares of stock, each share of outstanding stock of AHC will be converted into 1.05 shares of stock of Valor, and the Distribution Agent will then distribute such shares of Valor stock to the stockholders of ALLTEL. Upon completion of the merger, Valor will be the surviving corporation (referred to herein as New Valor), and the stockholders of ALLTEL will own 85 percent of the common stock of New Valor and the pre-merger stockholders of Valor will own 15 percent of the common stock of New Valor.[6]

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[5] In consideration for the stock of these subsidiaries, AHC will issue additional shares of AHC stock to ALLTEL, will issue notes to ALLTEL and will pay a special cash dividend to ALLTEL.

[6] As mentioned previously, the corporate name of Valor will likely be changed immediately following completion of the merger. The names of the AHC subsidiaries will also likely be changed upon completion of the merger. The initial Board of Directors of New Valor will consist of nine (9) members as follows: the Chairman of the Board of Directors of AHC; the Chief Executive Officer of AHC; six (6) persons designated by ALLTEL (at least four (4) of whom are to be "independent directors" under the rules of the NYSE); and one (1) person
(continued on next page)

All four steps described above are part of an integrated overall transaction. Steps 2 through 4 will be completed one after the other in a short period of time, that is, nearly simultaneously as part of a single closing. The overall transaction can be summarized as follows: (1) the assets of the wireless and wireline business of ALLTEL will be separated; (2) the wireline businesses will be contributed to AHC; (3) the stock of AHC will be spun off to the ALLTEL stockholders; and (4) AHC will be merged into Valor (which will be the surviving corporation and the name of which will likely be changed).

As a result of the overall transaction, there will be a transfer of control of AHC and its new subsidiaries from ALLTEL to New Valor. However, the existing stockholders of ALLTEL will be in control of New Valor following completion of the transaction. Therefore, there will be no substantial change in the ultimate ownership and control of AHC and its subsidiaries and the transfer of control of those entities is *pro forma* in nature. There will also be a transfer of control of the subsidiaries of Valor from Valor to New Valor. Because the existing stockholders of ALLTEL will control New Valor upon consummation, such transfer of control will result in a substantial change in the ultimate control over Valor subsidiaries holding FCC licenses and authorizations.

III. PUBLIC INTEREST STATEMENT

Pursuant to Sections 310(d) and 214 of the Communications Act of 1934, as amended, the subject licensees and authorized carriers may not be transferred unless the Commission finds

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designated by Valor (which person is to be an "independent director" under the rules of the NYSE). These directors will serve staggered terms so that three (3) directors will be elected by the stockholders of New Valor each year going forward.

"that the public interest, convenience and necessity will be served thereby."[7] The first step in this analysis is an evaluation of the transferee's qualifications. Pursuant to Section 310(d), "the Commission may not consider whether the public interest, convenience, and necessity might be served by the transfer... of the permit or license to a person other than the proposed transferee."[8] New Valor is legally, technically and financially qualified with regard to the instant transfer of control applications.

A. Public Interest Benefits of the Merger Generally

1. *The Merger Will Enable New Valor to Provide Additional Focus and Resources to the Wireline Business and Customers*

New Valor will operate in an industry that has been and continues to be subject to rapid technological advances, evolving consumer preferences, and dynamic change. These factors, combined with regulatory developments, create an environment in which the interests of ALLTEL's wireline business are diverging from a wireless-centric focus. The establishment of New Valor creates an independent, stand-alone wireline-centric corporation that serves the public interest by allowing ALLTEL's separated ILECs to focus squarely on enhancing their local wireline operations and combines with Valor's complementary markets with favorable rural characteristics, thereby allowing New Valor to better deliver a broadening range of high quality services to local residential and business customers.

By virtue of the merger, New Valor will become one of the nation's premier rural wireline operators. ALLTEL's and Valor's complementary facilities and markets will facilitate an ease of integration; indeed, Valor already utilizes ALLTEL's billing system for its own subscribers. The merger will enable New Valor to recognize approximately $40 million in

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[7] 47 U.S.C. §§ 214, 310(d).

[8] *Id.* § 310(d).

synergies, and create a principally rural local wireline provider with 3.4 million access lines. The vast majority of New Valor's exchange areas will have fewer than 2,000 access lines, with an average of 25 access lines per square mile. A map of the Applicants' combined coverage is attached as Exhibit C.

The separation of ALLTEL's wireline business and its combination with that of Valor has the beneficial effect of better aligning New Valor's interests with the interests of its customers. The combined company's strategic wireline focus will allow for a stronger local emphasis and permit New Valor to provide services tailored to customers' needs. New Valor will ensure that service quality and the customer experience for current ALLTEL and Valor wireline customers remain high priorities. Customers will experience no less than business as usual, but very likely an improved experience, as New Valor enhances service delivery, product development, and customer interaction. ALLTEL and Valor both have deployed DSL services throughout many of their markets, and ALLTEL in particular is already a leader among independent LECs in broadband deployment.[9] The merger will provide enhanced strategic, financial, and operational opportunities for each business, including improving the already commendable levels of broadband penetration, and expanding service to include video and bundled wireless offerings.

2. *The Merger Will be Seamless to Subscribers.*

The separation and merger, other than a likely change of name, will be virtually transparent to customers of both ALLTEL and Valor. Up to and after the separation and merger,

[9] DSL service is available to approximately 73 percent of ALLTEL's wireline customers, up from 63 percent at year-end 2004. As of December 15, 2005, ALLTEL had 391,000 DSL subscribers, up from 243,000 at year-end 2004. Through third quarter 2005, DSL service is available on 71 percent of Valor's access lines. Valor had 47,309 DSL subscribers at the end of the third quarter 2005, up from 16,521 subscribers at the end of third quarter 2004.

customers will receive the same full range of products and services they received prior to the separation, at the same prices, and under the same terms and conditions. Currently, ALLTEL's and Valor's ILEC subsidiaries offer bundles of local calling and custom calling features combined with other services via sales of its own services or its own services combined with the services of another provider sold via a sales agency arrangement. These bundled offerings were designed to meet the customer demand for a true "one stop shop" for communications needs. New Valor will enter into the necessary arrangements to allow it to continue providing bundled service offerings.

Moreover, the customer interface with New Valor will not change. Customers will continue to call existing numbers to order new services, report service problems, and inquire about billing or other customer care issues. New Valor will provide customers notice of the transfer and name change (if any) via bill messages. A sample customer notice will be provided to the Commission in advance of its distribution in accordance with Section 64.1120(e) of the rules.[10]

New Valor will concentrate even more on the telecommunications needs of wireline customers, and local affairs will continue to be managed by men and women with established local relationships and extensive knowledge of the telecommunications business. Applicants' participation in the local community will be ongoing and continue to be of great importance. Furthermore, the senior executive team will be comprised of many of the same executives that have guided ALLTEL's and Valor's local operations in the past. Their experience and expertise, combined with new flexibility to pursue wireline-centric strategic goals, will ensure that New Valor's service quality and standards remain at the highest levels.

[10] *See* 47 C.F.R. § 64.1120(e).

New Valor will provide the same high quality local exchange and resold long distance service it does today, subject to the same rules, regulations, and applicable tariffs. The transaction will not affect the existing price regulation plan, service quality obligations, or tariffs.[11] Further, the terms and prices for existing wholesale services under applicable access tariffs will remain unchanged as a result of this transfer. Finally, the transfer of control will not impact the terms of any existing interconnection agreements or obligations under state and federal laws regarding interconnection.

B. The Transaction Poses No Competitive Risks for the Domestic Interstate Market and Approval Is Consistent with Commission Precedent

The transaction will not result in harm to competition in any relevant market and will yield tangible public interest benefits. ALLTEL and Valor presently have a miniscule share of the domestic interstate interexchange market and are regulated as nondominant in that market.[12] The Commission has already determined that combinations between nondominant carriers resulting in less than 10 percent market share of the interstate interexchange market are "extremely unlikely [to] result in a public interest harm" and "unlikely to raise public interest

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[11] This transfer will not result in substantive tariff changes. With respect to price regulation, New Valor has concurrently filed a request for waiver of the Commission's Section 61.41 "all or nothing" rule to ensure that the existing interstate access pricing regime (price cap or rate-of-return) for each market is retained pending Commission action in a related rulemaking proceeding. *See* discussion at Exhibit A.

[12] *See* 47 C.F.R. § 63.01; *Regulatory Treatment Of LEC Provision Of Interexchange Services Originating In The LEC's Local Exchange Area and Policy And Rules Concerning The Interstate, Interexchange Marketplace*, 12 FCC Rcd. 15756, ¶ 163 (1997) (independent ILECs subject to nondominant regulatory treatment conditioned on separation requirements) ("*ILEC Regulatory Classification Order*"). Commission data indicates that ALLTEL Communications Inc.'s 2003 combined intrastate, interstate and international toll revenues of approximately $175 million amounted to just over two tenths of one percent of industry's total of over $77 billion. *See* Wireline Competition Bureau, *Trends in Telephone Service*, at Table 9.5 (WCB April 2005).

concerns."[13] New Valor's market share will fall well below that threshold. Moreover, as New Valor (like its predecessor companies) will offer only resold interexchange services, anticompetitive harm is even less likely.[14]

With respect to the Applicants' ILEC markets, the Commission has found that where mergers between non-BOC ILECs result in no overlaps and no or minimal adjacencies between markets where the adjacent exchanges are very small, "no harm to competition is likely to occur."[15] Moreover, where rural and less populated areas are involved, the Commission has found that such areas "are less attractive to new entrants" and, thus, concerns relating to the loss of potential competition are even less acute.[16]

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[13] *Implementation of Further Streamlining Measures for Domestic Section 214 Authorizations*, Report and Order, 17 FCC Rcd. 5517, ¶ 30 (2002) (citing to U.S. Dept. of Justice and Federal Trade Commission Horizontal Merger Guidelines, § 1.51 n.18).

[14] *See Regulatory Treatment of LEC Provision of Interexchange Services Originating in the LEC's Local Exchange Area and Policy and Rules Concerning the Interstate, Interexchange Marketplace; Leaco Rural Telephone Cooperative, Inc. Petition for Waiver*, 14 FCC Rcd. 10771, ¶ 22 (1999) (finding that "independent LECs that provide long distance services solely on a resale basis are less likely to engage in anticompetitive activity such as access discrimination and cost misallocation than facilities-based independent LEC providers of such services"). Even if New Valor were to initiate facilities-based interexchange services, the Commission has determined that an ILEC long distance affiliate's compliance with separate affiliation criteria is sufficient to warrant nondominant regulatory treatment. *See ILEC Regulatory Classification Order* at ¶ 163.

[15] *See Joint Applications of Global Crossing Ltd. and Citizens Communications Co.*, 16 FCC Rcd. 8507, ¶ 9 (CCB, CSB, WTB 2001) ("*Global Crossing/Citizens*"); *ALLTEL Corporation*, 14 FCC Rcd. 14191, ¶ 9 (merger "unlikely to result in any adverse effect on competition in the relevant markets" where no overlaps or adjacencies occur). Indeed, the Commission has approved mergers between smaller ILECs where a merger results in the *loss* of a competitor in an exchange area. *See Joint Applications of Telephone and Data Systems, Inc. and Chorus Communications, Ltd.*, 16 FCC Rcd. 15293, ¶¶ 8-9 (CCB, WTB 2001).

[16] *See Global Crossing/Citizens* at ¶ 7 (citing *Application of GTE Corp. and Bell Atlantic Corp.*, 15 FCC Rcd. 14032, 14095 ¶ 117 (2000)). Like the *Global Crossing/Citizens* transaction, given the nature of the ALLTEL-Valor merger this is clearly an instance in which the Commission's extensive merger analysis previously employed in BOC-related mergers is inapplicable. *Global Crossing/Citizens* involved two companies with ILEC exchanges operating
(continued on next page)

The instant transaction will result in no overlaps and a comparatively small number of adjacencies affecting a limited number of access lines. Valor and ALLTEL combined hold 1,058 exchange areas.[17] Thirty-nine (39) of these exchanges, principally in Texas, with a few in New Mexico and Oklahoma, have adjacencies:

- *West Texas/Southeast New Mexico.* The ALLTEL exchanges of Plains and Higginbotham, TX (1,031 and 187 access lines, respectively) are adjacent to the Valor exchanges of Denver City, TX (2,980), Seagraves, TX (563) and Hobbs, NM (19,216).

- *South Central Oklahoma.* The ALLTEL exchanges of Elmore City (1,049) and Elmore West (244) are adjacent to the Valor exchanges of Maysville (1,125) and Lindsay (3,077).

- *East Central Texas.* The ALLTEL exchanges of Kopperl (434), Lakeside Village (370), Iredell (558), Paluxy (222), Brandon (185), Coolidge (534), Prairie Hill (208), Ben Hur (104), Blum (644), Waterwood (625), Valley Mills (1,330), Covington (815), and Mosheim (146) are adjacent to the Valor exchanges of Morgan (288), Whitney (6,065), Walnut Springs (675), Bynum (185), Milford (440), Irene (460), Hubbard (1,237), Mount Calm (419), Riesel (974), Glen Rose (4,246), Trinity (6,403), Dawson (928), Crawford (978), Frost (526), Purdon (567), Richland (275) and Groveton (1,497).

The Commission has traditionally expressed concern regarding a reduction in the number of potential competitive entrants when large RBOCs with adjacent markets merge their operations.[18] However, the Commission has uniformly approved transactions involving a limited

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in 25 states with over two million access lines and, accounting for two other Citizens transactions, 30 states with over 3 million access lines. *See id.* at ¶ 2; Application of Citizens Communications Company, CCB Pol No. 00-1, at 2-4 (filed Oct. 10, 2000). The instant transaction involves ILEC properties in 16 states with 3.4 million access lines. *Global Crossing/Citizens* involved adjacencies in four states, and involving 71 exchanges ranging from a couple hundred to nearly 300,000 access lines. *See* Global Crossing Ltd. and Citizens Communications Co. *Ex Parte Presentation*, CCB Pol. No. 00-1, at 5-6 and Attachment C. The adjacencies at issue here are in four states and in exchanges ranging from 104 to 19,216 access lines – with all but 6 of the 39 exchanges with adjacencies having less than 2,000 access lines, and only one (Hobbs, NM) having over 10,000 access lines.

[17] Valor owns 237 exchanges, and ALLTEL owns 821.

[18] *See, e.g., In re Applications of NYNEX Corp. and Bell Atlantic Corp.*, Memorandum Opinion and Order, 12 FCC Rcd. 19985, 19990-91 (1997); *Application of GTE Corp. and Bell Atlantic Corp.*, Memorandum Opinion and Order, 15 FCC Rcd. 14032, 14090-92 (2000);
(continued on next page)

number of adjacent exchanges affecting a limited number of access lines.[19] The instant transaction clearly falls into the latter category.[20] Thirty-nine (39) of the total 1058 exchange areas involved in the transaction have adjacencies – only 3.7 percent of the total. In contrast, *Global Crossing/Citizens* involved 71 exchanges with adjacencies.[21] Moreover, ALLTEL's and Valor's exchanges are located in precisely the types of low-density rural and less populated areas the Commission has recognized "are less attractive to new entrants" – as evidenced by the fact that neither ALLTEL nor Valor ever sought to enter those adjacent markets, and that there are CLEC competitors in only a few of the affected ALLTEL or Valor markets.[22]

Application of Ameritech Corp. and SBC Communications Inc., Memorandum Opinion and Order, 14 FCC Rcd. 14712, 14745 (1999).

[19] *See, e.g., Global Crossing/Citizens* at ¶¶ 1, 5-8; Public Notice, *Wireline Competition Bureau Grants Consent for Transfer of Control of Hartman Tel. Exchanges, Inc. to Randall J. Raile and Kacey L. Raile*, WC Docket No. 04-320, DA 04-3225, n.3 (WCB rel. Oct. 13, 2004) ("*Hartman PN*"); Public Notice, *Wireline Competition Bureau Grants Consent for Transfer of Control of Certain Affiliates of MJD Services Corp. to Golden West Telephone Properties, Inc.*, WC Docket No. 03-186, DA 03-3004, n.2 (WCB rel. Sept. 30, 2003) ("*MJD PN*"); *see also* Public Notice, *Wireline Competition Bureau Grants Consent for Transfer of Control of Berkshire Tel. Co. to Fairpoint Communications, Inc.*, WC Docket No. 03-184, DA 05-1095, n.5 (WCB rel. Apr. 15, 2005) (approval granted after state commission granted subject to conditions).

[20] *See Global Crossing/Citizens* at ¶ 7.

[21] *See supra* note 16.

[22] *See Global Crossing/Citizens* at ¶ 7. Applicants note that for the Global Crossing/Citizens transaction, the Federal Trade Commission and U.S. Department of Justice granted the parties' request for "early termination" (which allows the agencies to promptly conclude their review when no enforcement action is contemplated because the transaction will not lessen competition) only 14 days after submission. *See* Federal Trade Comm'n, *Granting of Request for Early Termination of the Waiting Period Under the Premerger Notification Rules*, 65 Fed. Reg. 68141, 68143 (Nov. 14, 2000); *Premerger Notification Rules; Waiting Period Termination*, 47 Fed. Reg. 40159, *corrected* 47 Fed. Reg. 41512 (1982).

C. International Section 214 Public Interest Considerations

Approval of the proposed transaction (i) will promote and preserve competition in the international telecommunications marketplace and (ii) will ensure that New Valor has the necessary authority to continue to offer seamless international services to existing ALLTEL and Valor customers. The proposed transaction poses no risk of anticompetitive impact on the U.S. international telecommunications marketplace. Applicants together hold only a miniscule share of the international telecommunications market.[23] For this reason alone, New Valor would have no ability to adversely affect competition.

In addition, the Commission's principal concern for "the exercise of foreign market power in the U.S. market" is that such market power "could harm U.S. consumers through increases in prices, decreases in quality, or reductions in alternatives in end user markets."[24] As the Commission explained further, "generally, this risk occurs when a U.S. carrier is affiliated with a foreign carrier that has sufficient market power on the foreign end of a route to affect competition adversely in the U.S. market."[25] As discussed herein, New Valor will acquire no affiliations with foreign carriers, much less any with market power. Thus, consumers would not be harmed by the transaction.

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[23] ALLTEL, which has the larger of the two wireline operations involved, is listed in Commission-compiled data as having 0.123 percent of reported international pure resale revenues for 2003 – a figure which includes the company's wireless operations which are not part of the instant transaction. *See* International Bureau, *2003 International Telecommunications Data*, Table D at 2, (Jan. 2005). Moreover, this figure does not account for competitors' *facilities-based* international services.

[24] *Rules and Policies on Foreign Participation in the U.S. Telecommunications Market; Market Entry and Regulation of Foreign-Affiliated Entities*, Report and Order and Order on Reconsideration, 12 FCC Rcd. 23891, 23951-54 (1997).

[25] *See id.*

IV. SECTION 63.24 INFORMATION

In accordance with Section 63.24(e) of the Commission's rules, 47 C.F.R. § 63.24(e), the Applicants submit the following information in support of the instant application. Information is provided responsive to the provisions of Section 63.18 of the rules, paragraphs (a) through (p), as applicable.

Information for Transferor and Transferee

(a) Name, address, and telephone number

Transferor:

Valor Communications Group, Inc.
201 East John Carpenter Freeway
Irving, TX 75062
Tel: (972) 373-1000
Fax: (972) 373-1150

Authorized Carriers (with FRN Information):

Valor Telecommunications LD, LP (FRN 00068114990)
Advanced Tel-Com Systems, L.P. (FRN 0008229429)
Texas RSA15B2 Limited Partnership d/b/a Five Star Wireless (FRN 0006157887)
c/o Valor Telecommunications, LLC
201 East John Carpenter Freeway
Irving, TX 75062
Tel: (972) 373-1000

Transferee:

New Valor
One Allied Drive
Little Rock, AR 72202
Tel: (501) 905-8706
Fax: (501) 905-0962

(b) Citizenship

Transferor:

Valor is a Delaware Corporation.

Authorized Carriers:

Valor LD is a Delaware limited partnership.

ATS is a Texas limited partnership.

Five Star is a Texas limited Partnership

Transferee:

Valor (New Valor) is a Delaware Corporation.

(c) Contact Information

For the Transferor and Authorized Carriers:

William M. Ojile, Jr.
Senior Vice President, Chief Legal Officer & Secretary
Valor Communications Group, Inc.
201 East John Carpenter Freeway
Irving, TX 75062
Tel: (972) 373-1000
Fax: (972) 373-1150
Email: bojile@valortelecom.com

For the Transferee:

Kathryn A. Zachem
Wilkinson Barker Knauer, LLP
2300 N Street, NW Suite 700
Washington, DC 20037
Tel: (202) 783-4141
Fax: (202) 783-5851
Email: kzachem@wbklaw.com

(d) International Section 214 Authorizations

Authorized Carriers:

Valor LD: File No. ITC-214-20000719-00451

ATS: File No. ITC-214-19981110-00835

Five Star: File No. ITC-214-20010802-00418

Transferor:

None

Transferee:

New Valor holds no international Section 214 authorization in its own right.[26]

Information for Transferee

(h) Ten Percent or Greater Interest Holders

New Valor will be a publicly-traded company and with no 10 percent or greater interest holders after consummation of the transaction.

(i) Foreign Carrier Affiliation Certification

New Valor certifies that it will have no foreign carrier affiliations upon consummation of the transaction.[27]

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[26] Applicants note that to effect the merger, ALLTEL's wholly-owned subsidiary ALLTEL Communications, Inc. will assign international Section 214 authority on a *pro forma* basis to Alltel Holding Corporate Services, Inc. (final name to be determined), the New Valor subsidiary to be providing long distance services for the ALLTEL wireline customers affected by the transaction. This component of the merger transaction is not at issue in the instant application.

[27] ALLTEL Corporation acquired a number of foreign carrier affiliations as a result of its merger with Western Wireless. *See* Public Notice, Report No. 05-00099, DA 05-2683, File No. FCN-NEW-20050831-00024 (rel. Oct. 12, 2005). As no shareholder of ALLTEL or New Valor will have a greater than 25 percent or otherwise controlling interest in either company, ALLTEL's remaining foreign carrier affiliates are not attributable to New Valor. *See* 47 C.F.R. § 63.09(e) (providing that for international Section 214 purposes, "[t]wo entities are affiliated with each other if one of them, or an entity that controls one of them, directly or indirectly owns more than 25 percent of the capital stock of, or controls, the other one.").

(j) Foreign Carrier and Destination Countries

New Valor certifies that upon consummation of the transaction (1) it will not be a foreign carrier, (2) it does not control any foreign carriers, (3) no entity that will own more than 25 percent of or control New Valor controls a foreign carrier, and (4) two or more foreign carriers (or parties that control foreign carriers) do not own, in the aggregate, more than 25 percent of New Valor.

(k) WTO Membership of Destination Countries

Not applicable.

(l),(m) Nondominant Regulatory Classification

Not applicable. As New Valor will have no foreign carrier affiliations, it is entitled to continued nondominant regulatory classification pursuant to Section 63.10(a)(1) of the rules, 47 C.F.R. § 63.10(a)(1).

(n) Special Concessions Certification

New Valor certifies that it has not agreed to accept special concessions directly or indirectly from any foreign power with respect to any U.S. international route where the foreign carrier possesses market power on the foreign end of the route and will not enter into such agreements in the future.

(o) Federal Benefits/Anti-Drug Abuse Act of 1988 Certification

Applicants certify pursuant to Sections 1.2001 through 1.2003 of the rules, 47 C.F.R. § 1.2001-1.2003, that no party to the application is subject to a denial of Federal Benefits pursuant to Section 5301 of the Anti-Drug Abuse Act of 1988, 21 U.S.C. § 862.

(p) Eligibility for Streamlined Processing

As New Valor is not a foreign carrier and does not have any foreign carrier affiliations, the instant application qualifies for streamlined processing pursuant to Section 63.12 of the rules, 47 C.F.R. § 63.12.

V. TRANSFER OF CONTROL OF DOMESTIC SECTION 214 AUTHORITY

Pursuant to Section 63.04(b) of the rules, 47 C.F.R. § 63.04(b), information responsive to Section 63.04(a)(6)-(a)(12) of the rules is provided in Exhibit A.

VI. CONCLUSION

For the foregoing reasons, Applicants request Commission consent to the transfer of control of Valor and its subsidiaries to New Valor in connection with the transaction described herein.

Respectfully submitted,

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201 East John Carpenter Freeway
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(972) 373-1000

VALOR COMMUNICATIONS GROUP, INC. (NEW VALOR)

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Their Attorneys

December 21, 2005

EXHIBIT A

Transfer of Control of Domestic Section 214 Authority
Information Responsive to Section 63.04(a)(6)-(a)(12) of the Rules

1. Description of Transaction (§ 63.04(a)(6))

The proposed transaction is described in Section II of the Application.

2. Description of Geographic Service Area and Services in Each Area (§ 63.04(a)(7))

Applicants' wireline domestic interstate and international services are described in detail in Sections I and III of the Application. A map showing the parties' ILEC service areas is attached as Exhibit C hereto. Applicants reiterate that ALLTEL's current ILEC and CLEC service territories do not overlap with those of Valor.

Valor and ALLTEL both presently offer resold domestic interstate and international interexchange services in their service territories, and New Valor will continue to offer such services after consummation of the merger.

Valor holds an indirect minority general partnership interest in two Part 22 cellular licensees.

3. Eligibility for Streamlined Processing (§ 63.04(a)(8))

Applicants request that the Commission exercise its discretion to apply the streamlined procedures of Section 63.03(a) of the rules to the instant application.[28] This application presents no "novel questions of fact, law, or policy which cannot be resolved under outstanding

[28] *See Implementation of Further Streamlining Measures for Domestic Section 214 Authorizations*, Report and Order, 17 FCC Rcd. 5517, ¶ 28 (2002) ("*2002 Streamlining Order*"). Should the Commission decide not to treat the instant application as streamlined, the parties nonetheless submit that an abbreviated public comment cycle and expeditious Commission review process is appropriate under the circumstances. *See Hartman PN* (public comment cycle concluded 21 days after public notice, grant issued 38 days after public notice); *MJD PN* (public comment cycle concluded 21 days after public notice, grant issued 33 days after public notice).

precedents and guidelines."[29] The accompanying international Section 214 application is subject to streamlined processing pursuant to Section 63.12, and the accompanying Title III applications are subject to expedited approval processes.[30] Thus, streamlined processing of the instant application will not complicate the Commission's review of the accompanying international Section 214 and Title III applications.

But for the small number of adjacent ILEC markets, the Applicants would meet the streamlining criteria of Section 63.03(b)(2)(iii) of the rules.[31] ALLTEL and Valor combined will hold far less than 10 percent of the interstate interexchange market and under two percent of the nation's aggregate installed subscriber lines.[32] There are no overlaps between ALLTEL's and Valor's LEC markets and, as discussed in Section III.B of the Application, the small number of adjacent exchange areas raises no novel issues of law or policy.[33] Thus, the small number of

[29] *See 2002 Streamlining Order* at ¶ 28.

[30] *See* Application at § IV (discussing streamlined eligibility under 47 C.F.R. § 63.12); 47 C.F.R. 1.948(j)(2). (For reference purposes, the lead application for the Title III licenses is in the Commission's Universal Licensing System, FCC File No. 0002415755.) In any event, the Wireline Competition Bureau may grant the instant application under streamlined review conditioned on completion of related reviews by the International and Wireless Telecommunications Bureaus and without prejudice to the outcome of those proceedings. *See 2002 Streamlining Order* at ¶ 23.

[31] Section 63.03(b)(2)(iii) of the rules provides, in relevant part, that: "Where a proposed transaction would result in a transferee having a market share in the interstate, interexchange market of less than 10 percent, and the transferee would provide competitive telephone exchange services or exchange access services (if at all) exclusively in geographic areas served by a dominant local exchange carrier that is not a party to the transaction" then streamlined processing presumptively applies where "[t]he applicants are incumbent independent local exchange carriers ... that have, in combination, fewer than two (2) percent of the nation's subscriber lines installed in the aggregate nationwide, and no overlapping or adjacent service areas." 47 C.F.R. § 63.03(b)(2)(iii).

[32] *See* Application at § III.B.

[33] *See id.*

adjacencies between ALLTEL's and Valor's ILEC service areas should not preclude streamlined processing.

New Valor has separately requested a waiver of the Section 61.41 "all or nothing" rule to preserve the existing price cap and rate of return regulatory classification for each of the to-be-New Valor ILEC subsidiaries.[34] In the *2004 MAG Order*, the Commission held that "all outstanding interim waivers of the all-or-nothing rule that depend on our decision in this proceeding shall continue in effect until we issue a final order on this issue."[35] Moreover, in the Commission's pending *2004 MAG Order*, the Commission specifically provided that "until such time as the all-or-nothing rule may be further revised, carriers can continue to petition for waiver of the all-or-nothing rule so that they may operate affiliates under both rate-of-return and price cap regulation."[36] Given the Commission's policy adopted in the *2004 MAG Order* and *MAG Second FNPRM* to maintain such waivers while its review of the all-or-nothing rule is pending,

[34] *See ALLTEL Corporation Petition for Waiver of Section 61.41, et. al*, 17 FCC Rcd. 27696 (WCB 2002). In this consolidated decision, the Wireline Competition Bureau ("WCB") in relevant part granted a waiver to permit rate-of-return regulated ALLTEL to maintain recently acquired Verizon properties as price cap regulated until the conclusion of the rulemaking on the all-or-nothing rule. Additionally, the WCB granted an extension of previous waiver grant, which permitted ALLTEL to keep its Aliant properties as price cap until conclusion of the rulemaking. In a similar decision, the WCB granted Valor a waiver permitting the existing exchanges of Valor's wholly-owned subsidiary Kerrville Telephone Company to continue to operate under rate-of-return regulation until completion of the rulemaking, even though Valor operates under price cap regulation. *Valor Telecommunications, LLC Petition for Waiver of Section 61.41 of the Commission's Rules*, 17 FCC Rcd. 25544 (WCB 2002).

[35] *See Multi-Association Group (MAG) Plan for Regulation of Interstate Services of Non-Price Cap Incumbent Local Exchange Carriers and Interexchange Carriers, Federal-State Joint Board on Universal Service*, Report and Order and Second Further Notice of Proposed Rulemaking, 19 FCC Rcd. 4122, 4129 ¶¶ 10, n.40 (2002) ("*2004 MAG Order*" or "*MAG Second FNPRM*").

[36] *See id.*, 19 FCC Rcd. at 4129 ¶¶ 10-11, n.39.

this is clearly an instance in which the "streamlined review process does not jeopardize the appropriate waiver analysis."[37]

4. Other Related Applications (§ 63.04(a)(9))

Concurrently with the instant application, Applicants are filing applications to transfer control of various Title III wireless authorizations held by (1) Valor subsidiaries and, (2) ALLTEL subsidiaries (insofar as the rules require prior Commission approval of the *pro forma* transfer of control of such licensees).

5. Statement of Imminent Business Failure (§ 63.04(a)(10))

Not applicable.

6. Separately Filed Waiver Requests (§ 63.04(a)(11))

As noted above, New Valor has requested a waiver of Sections 61.41(b) and (c)(2) of the rules, 47 C.F.R. §§ 61.41(b), (c)(2).

7. Public Interest Statement (§ 63.04(a)(12))

See Section III of the Application.

[37] *See 2002 Streamlining Order* ¶ 56.